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CENTRAL INTELLIGENCE AGENCY  
Office of Current Intelligence  
3 December 1965

INTELLIGENCE MEMORANDUM

The India-Pakistan Situation

Summary

1. Although major hostilities have ended between India and Pakistan, little progress has been made toward solving the controversies underlying the recent clash. A UN representative has been appointed to attempt to secure compliance with that provision of the cease-fire resolution of 20 September which calls for a withdrawal of troops from captured areas. Progress toward this end is likely to be slow, however, with both sides reluctant to relax their present stiff positions.

2. The Pakistanis are preoccupied with the problems of rebuilding their military machine and attempting to bring pressure to bear on India for concessions on Kashmir. The suspension of US military aid during the conflict has cut into Pakistani military effectiveness, a situation which will become even more serious as parts starvation renders a growing amount of US-supplied equipment inoperative.

3. The Indians, relatively satisfied with the outcome of the war, are unlikely to give ground on Kashmir. The apparent success of the Indian campaign appears to have strengthened Prime Minister Shastri, but his government now faces a major food crisis brought on by an extremely poor fall harvest. The Indians are not overly concerned about the effects of the US military aid cut-off--it will hurt the Pakistanis far more than the Indians--but they are worried about the impact of a continued freeze

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on new economic aid commitments. They are especially uneasy over the present US policy of extending PL-480 aid on a month-to-month basis rather than signing a new long-term agreement.

#### General Situation

4. Major hostilities between India and Pakistan ended on 22 September when both sides bowed to a UN Security Council demand for a cease-fire. Since then the uneasy truce along the cease-fire line in Kashmir and in the Punjab-Rajasthan areas has been punctuated daily by scores of violations--artillery exchanges, sniper firing, and occasional troop clashes--as commanders on each side attempt to improve their tactical positions before UN observers move in to fix the line more permanently.

5. Little progress has been made toward implementation of the 20 September Security Council resolution calling for a cease-fire, a withdrawal of troops to positions held before the fighting began, and bilateral discussions by India and Pakistan of their outstanding differences. After more than two months of diplomatic maneuvering both countries have finally accepted the appointment of a Chilean Brigadier General to act as the UN Secretary General's agent in attempting to bring about a troop withdrawal. Negotiations continue to move slowly, however, with New Delhi refusing adamantly to vacate its positions in Pakistan's portion of Kashmir until it receives firm guarantees against further raids by Pakistani-sponsored guerrillas. Rawalpindi, in turn, refuses to remove its troops from the Chaamb area of Indian Kashmir until the Indians agree to return unconditionally to the original 1949 Kashmir cease-fire line.

6. Neither country is eager to resume hostilities, however, and some piecemeal separation of troops may be arranged. This would lessen the danger of an accidental escalation of border clashes into renewed warfare, but leave untouched the basic frictions between the two countries.

7. Meanwhile, both capitals are confronted by a multiplicity of political and economic problems that threaten to affect the course of events in the subcontinent for some time.

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### The Situation in Pakistan

8. Although Rawalpindi succeeded in one of the objectives of its August initiative, the focusing of world attention on the Kashmir problem, the costs were unexpectedly high and the rewards uncertain. Extensive equipment losses during the three-week struggle in the Punjab left Pakistan militarily weaker relative to India than before. Pakistani hopes of forcing India to negotiate on Kashmir were dashed when Indian forces proved conclusively that they could more than match any Pakistani offensive. The US-equipped Pakistani military machine is being further weakened by the suspension of US military aid. Political and military leaders in Rawalpindi are deeply frustrated by the dual problem of eliminating Pakistan's dangerous military vulnerabilities while at the same time trying to find some way to pressure India into meaningful concessions on Kashmir--the only acceptable justification for the sacrifices made during the short war.

9. Pakistan's attitude toward the US is mixed. President Ayub probably recognizes that only the US and the USSR are capable of bringing India around on Kashmir, and that the only completely satisfactory answer to Pakistan's defense supply problems lies with the West. Pro-Western political elements, whose influence seems to have grown in recent weeks, are urging a rapprochement with the US as the only way out of a serious dilemma.

10. On the other hand, hostility toward the West and the US in particular appears to have increased among the military, the civil service, and the general public. Antagonism growing out of US military assistance to India, which began in 1962, has been compounded by resentment at the US failure to assist Pakistan against the Indian "aggressor." Pakistanis feel strongly that the suspension of US military aid is a one-sided slap at Pakistan, since Pakistan is far more dependent on this aid than India.

11. In contrast to the military aid cut-off, the decision to postpone for a second time the pledging session of the consortium of Western economic aid donors to Pakistan has also created relatively little ill will. Pakistan's economy is in sounder shape than India's, and

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the knowledge that the Indians will suffer far more from a protracted economic aid suspension is satisfying to the Pakistanis. Moreover, Pakistan has just concluded an extremely successful five-year development plan and there is a widespread confidence that Pakistan can go it alone if necessary. Many Pakistanis, such as Finance Minister Shoaib, recognize that this confidence is exaggerated, particularly since a diversion of resources to defense expenditures would almost certainly slow the rate of economic expansion in the long run. Some other consortium members appear to be willing to proceed with their 1965/66 pledges on a unilateral basis, however, and Pakistan is not likely to feel the pinch of the US suspension for at least a year (see Annex A on US economic aid).

12. [redacted]

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[redacted] Ayub is said to be investigating the feasibility of a rapprochement with the US, and may be willing to back away from Pakistan's close relationship with China. Any such decision would depend, however, on a careful appraisal of its diplomatic, economic, and military advantages relative to other courses of action.

13. Meanwhile, Rawalpindi has left open the door to still closer ties with the Communist Chinese. A senior Pakistani civil servant recently told Ambassador McConaughy that he was deeply concerned at the extent of pro-Chinese feeling following the Indo-Pakistani war. He claimed that many Pakistanis are contrasting unfavorably US efforts to bring about a cease-fire with China's diplomatic and propaganda support for Pakistan's case. Pakistanis are aware that the presence of Chinese troops in Tibet prevents India from concentrating more troops along the Pakistani borders, a lesson reinforced by the Chinese ultimatum during the India-Pakistan conflict.

14. The Pakistanis may also overestimate China's capacity for offsetting the loss of Western military and economic aid (see Annex B on US military aid). Ayub's defense adviser, Ghulam Faruque, recently returned from China with the enthusiastic report--possibly designed for US consumption--that the Chinese could

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supply Pakistan with MIG-19 aircraft, T-54 tanks, and a plant for producing additional tanks. Indonesia has probably supplied Pakistan with five MIG-19s and is reportedly training Pakistani pilots in their operation. Since it is doubtful that Djakarta can provide a significant number of combat aircraft, the training program may indicate Rawalpindi's interest in developing a capacity for converting rapidly to MIG aircraft if parts starvation grounds Pakistan's F-86s. It is unlikely, however, that China would actually be willing to part with much of its limited inventory of MIG-19s, particularly while the Vietnam crisis remains heated.

15. Pakistan's relations with the USSR have improved over the past year or so, but Moscow is unlikely to abandon its primary commitment to India. The USSR would probably like to take advantage of an estrangement between Pakistan and the US, and would also probably wish to counter Chinese influence in Pakistan. However, right now Moscow is playing a cautious game and letting the situation evolve before making any moves one way or another.

#### The Situation in India

16. India emerged from the war with a new sense of national integrity, self-confidence, and pride. The Indian armed forces, still smarting from reverses suffered at the hands of the Chinese in 1962 and the Pakistanis in the Rann of Kutch earlier this year, acquitted themselves well. Although the elaborate claims of victory now heard in New Delhi are considerably exaggerated, the Indians did prove to their satisfaction that they are capable of dealing militarily with the Pakistanis while simultaneously keeping up their guard against the Chinese.

17. Prime Minister Shastri and his Congress Party government have benefitted substantially from the post-war euphoria. Shastri, who had been regarded as a pleasant, conciliatory little man, is now seen in India as a major national leader and something of a hero.

18. The hostilities with Pakistan have further hardened New Delhi's already firm position on Kashmir.

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To give to Rawalpindi through negotiations what the Pakistanis were unable to win militarily would be an act of political suicide.

19. India now faces a major crisis, brought on by a grossly inadequate fall food grain harvest, which could quickly extinguish the aura of success that followed the conflict. This year's fall crop was probably some 10 million tons below last year's. The autumn harvest normally provides nearly four fifths of the annual food-grain supply, and even a relatively good spring harvest will not greatly change the picture.

20. Production during the agricultural year ending next June is likely to be as low as 76-78 million tons. India's rapidly expanding population will require about 97 million tons of grain next year if current marginal consumption levels are to be maintained. To make up the deficit India would have to more than double last year's 7 million tons of imports--about 6 million of which were supplied by the US under the PL-480 program. It is doubtful, however, that India's strained port facilities could handle more than 12 million tons of grain annually even with a marked improvement in cargo handling methods.

21. A deepening economic crisis could sharpen New Delhi's concern over the effects of a continued US suspension of new economic aid commitments (see Annex C on US economic aid). The Indians are particularly troubled by the loss of that portion of the US aid pledge which would not have been tied to specific projects. These non-project funds would contribute importantly to India's ability to make full use of its existing industrial capacity, by permitting a wide range of essential imports that would otherwise be unavailable. Some of the non-project funds would also have been earmarked for badly needed fertilizer imports.

22. Criticism of the US has been heightened somewhat since the outbreak of the India-Pakistan war, centering on the economic aid suspension and the failure of the US to restrain Pakistan from using US-supplied military equipment against India. This hostility has abated somewhat as it becomes apparent to the Indians that the suspension of US military aid deliveries to both countries was to Pakistan's net disadvantage. It may be

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further softened by a growing awareness of the vital role to be played by PL-480 food imports during a year of severe food shortages.

23. Knowledge that the USSR stands ready to sell the Indians a substantial amount of military hardware has lessened New Delhi's concern about the US military aid cut-off (see Annex D on US military aid). Although Moscow will not replace the \$50 million US grant aid program,

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probably realizes that Pakistan is unlikely to find as satisfactory a source.

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24. India's relative need for economic development assistance from the USSR would increase if US aid is not resumed. While Moscow may not be eager to make major increases in its planned commitments to India, the USSR could earn substantial propaganda dividends from reasonably inexpensive additions to its aid program.

25. In any event, Indian leaders consider good relations with the USSR to be essential as a counter to the Chinese threat. A marked decline in US support would further enhance the Soviet position. Sentiment toward the USSR has already grown warmer as a result of the war with Pakistan, which served as a reminder that New Delhi needs the potential Soviet veto in the UN Security Council to guard against unfavorable resolutions on Kashmir.

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ANNEX A: US ECONOMIC ASSISTANCE - PAKISTAN

(Fiscal years 1 July - 30 June)

	(\$ Millions)				
	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>Cumulative Total 1948 - 1965</u>
PL-480	159.5	185.4	163.8	180.0	1,138.6
Other Economic	250.0	250.0	212.5	212.5	2,177.0
Total US Economic	410.6	435.4	376.3	392.5	3,315.6

On a per capita basis, US economic assistance has been far larger to Pakistan than to India. In the period July 1964 - July 1965, the US pledged \$212 million in economic aid and shipped PL-480 food grains worth \$150 million to Pakistan. As in the case of India, no new economic aid commitments have been made since the outbreak of hostilities, but assistance already in the pipeline continues. PL-480 shipments are continuing under an agreement that will expire at the end of this calendar year.

Pakistani leaders do not view the possible elimination of US economic aid with the same concern as do the Indians. Foreign exchange reserves per capita are larger than in India, and the present food supply is more satisfactory. While a continued freeze on new US commitments would slow Pakistan's economic growth rate, the effect would be neither as immediate nor as pronounced as in India.



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ANNEX C: US ECONOMIC ASSISTANCE - INDIA

(Fiscal years 1 July - 30 June)

	(\$ Millions)				
	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>Cumulative Total 1948 - 1965</u>
PL-480	275.2	276.1	294.4	398.0	3,016.0
Other Economic	545.4	436.0	436.7	435.0	3,024.0
Total US Economic	820.6	712.1	731.1	833.0	6,040.0

Total US economic aid to India has amounted to nearly five times the size of the economic assistance received in India from the Soviet bloc. US economic aid, exclusive of PL-480 food shipments, has been approximately as large as the amount given collectively by other Free World countries.

In fiscal year 1965, Washington pledged about \$435 million in economic aid and shipped PL-480 foodgrains worth some \$400 million. No new economic aid commitments have been made since hostilities began in September but assistance already in the pipeline--enough to last for one to two years--continues. PL-480 shipments also continue but are committed only on a month-to-month basis, much to the displeasure of Indian officials who would prefer a much longer pledge.

Indian officials are far more concerned with the resumption of US economic assistance than with US military aid. They are particularly desirous of non-project aid, primarily to increase agricultural output.

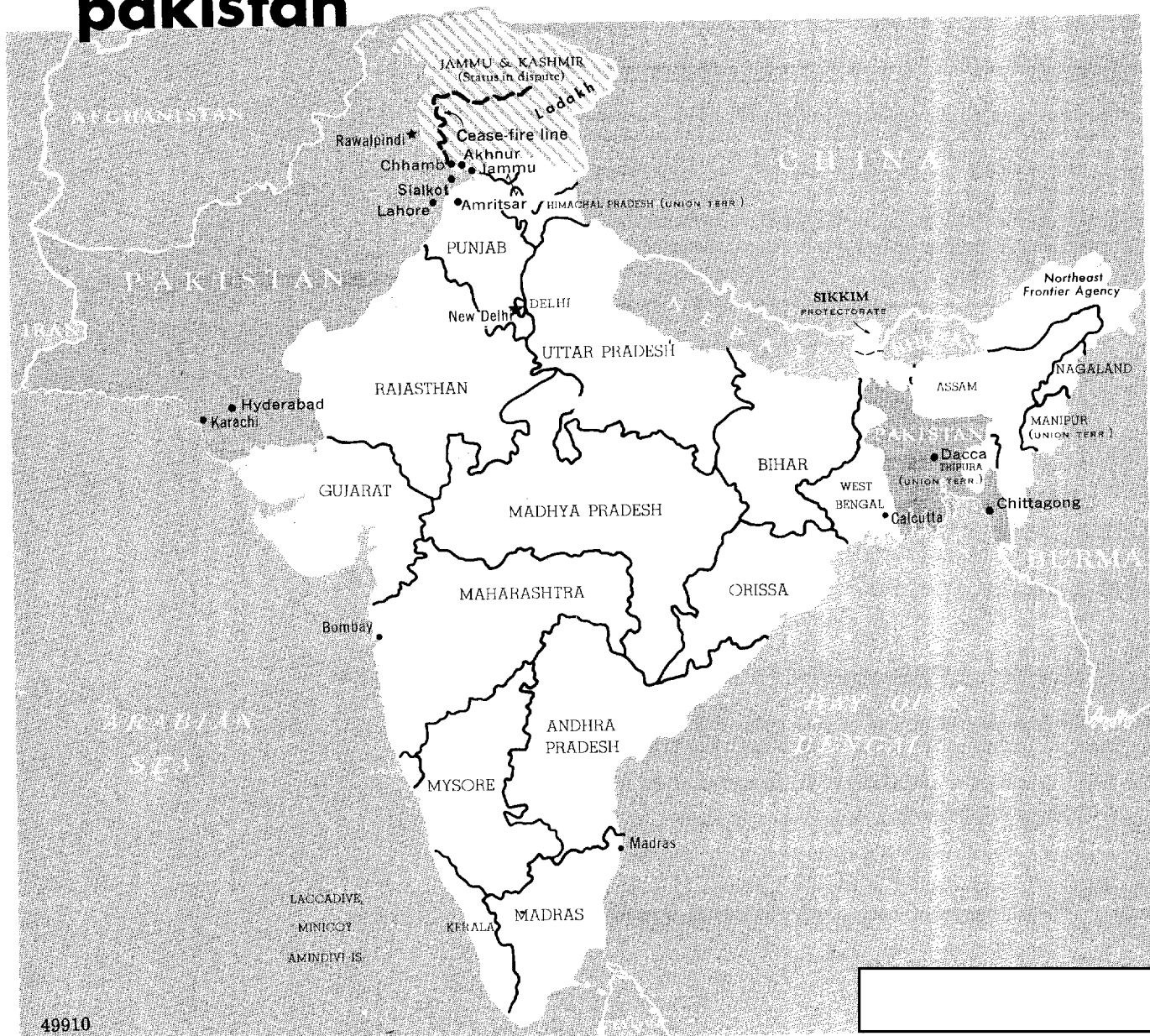
Indian leaders regard PL-480 foodgrain shipments as a very powerful US diplomatic weapon. Present shipments provide eight percent of the food consumed in India--enough to feed 38 million people. A termination of PL-480 shipments would face New Delhi with an extremely grave crisis. Inadequate harvests and inequitable food distribution have already led to shortages and rationing. It appears unlikely, at least in the short run, that India could divert the foreign exchange, find substitute supplies, and arrange for their shipment in time to prevent famine and resultant political unrest.

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## INTELLIGENCE MEMORANDUM

THE INDIA-PAKISTAN SITUATION

DIRECTORATE OF INTELLIGENCE

Office of Current Intelligence

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